

**SINCLAIR BROADCAST GROUP, INC. AND SUBSIDIARIES**

**CONSOLIDATED STATEMENTS OF CASH FLOWS**

(in thousands)

	Three Months Ended December 31, <u>1990</u>	Years Ended December 31, <u>1991</u> <u>1992</u>		Six Months Ended June 30, <u>1992</u> <u>1993</u> (Unaudited)	
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES .....</b>	<b><u>\$2,757</u></b>	<b><u>\$ 2,424</u></b>	<b><u>\$15,662</u></b>	<b><u>\$3,551</u></b>	<b><u>\$17,756</u></b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>					
Acquisition of property and equipment, net of disposals and capital lease obligations assumed .....	—	(1,730)	(426)	(194)	(95)
Loans to officers and affiliates, net of noncash item of \$1,496 in 1991 .....	(70)	(653)	(809)	(699)	(123)
Repayments of loans to officers and affiliates ..	231	109	184	15	102
Acquisition of WPGH, Inc. ....	—	(55,000)	—	—	—
Proceeds from life insurance benefits .....	—	—	—	—	1,075
Net cash flows from investing activities .....	<u>161</u>	<u>(57,274)</u>	<u>(1,051)</u>	<u>(878)</u>	<u>959</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>					
Proceeds from notes payable and commercial bank financing, net of noncash items of \$15,006 and \$3,061 in 1990 and 1991, respectively ....	4,549	77,258	25,037	8,036	3,150
Issuance of warrants .....	—	11,606	—	—	—
Purchase of warrants .....	—	—	—	—	(1,350)
Repayments of notes payable, commercial bank financing and capital leases .....	(2,894)	(31,709)	(28,778)	(6,347)	(17,282)
Payments on program contracts payable .....	(1,171)	(4,688)	(10,427)	(4,619)	(3,941)
Net cash flows from financing activities .....	<u>484</u>	<u>52,467</u>	<u>(14,168)</u>	<u>(2,930)</u>	<u>(19,423)</u>
Net increase (decrease) in cash and cash equivalents .....	3,402	(2,383)	443	(257)	(708)
<b>CASH AND CASH EQUIVALENTS, beginning of period .....</b>	<b><u>361</u></b>	<b><u>3,763</u></b>	<b><u>1,380</u></b>	<b><u>1,380</u></b>	<b><u>1,823</u></b>
<b>CASH AND CASH EQUIVALENTS, end of period .....</b>	<b><u>\$3,763</u></b>	<b><u>\$ 1,380</u></b>	<b><u>\$ 1,823</u></b>	<b><u>\$1,123</u></b>	<b><u>\$ 1,115</u></b>
<b>SUPPLEMENTAL DISCLOSURE OF CASH PAID FOR:</b>					
Interest .....	<u>\$ 334</u>	<u>\$ 5,604</u>	<u>\$13,192</u>	<u>\$7,357</u>	<u>\$ 4,592</u>
Income taxes .....	<u>\$ 415</u>	<u>\$ 362</u>	<u>\$ 489</u>	<u>\$ 81</u>	<u>\$ 535</u>

The accompanying notes are an integral part of these consolidated statements.

**SINCLAIR BROADCAST GROUP, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 1990, 1991 AND 1992, JUNE 30, 1992 (UNAUDITED) AND 1993**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:**

*Basis of Presentation*

The accompanying consolidated financial statements, prepared on the accrual basis of accounting, include the accounts of Sinclair Broadcast Group, Inc. (SBG), Commercial Radio Institute, Inc. (CRI), Chesapeake Television, Inc. (WBFF), WPGH, Inc. (WPGH) and WTTE Channel 28, Inc. (WTTE) and all other subsidiaries. Through August 1993, CRI was a wholly-owned subsidiary of SBG, and WBFF, WPGH and WTTE are wholly-owned subsidiaries of CRI. In September 1993, CRI was merged into SBG.

On September 30, 1990, SBG issued notes payable to former SBG majority owners in the aggregate amount of \$14,215,000 in consideration of stock redemptions. Through the notes, the former majority owners have subordinated security interests in all of the assets of the Companies. The notes include stated interest rates of 8.75%, although the effective interest rate approximates 9.4%, and are personally guaranteed by the current stockholders of SBG. As of December 31, 1991 and 1992, SBG had prepaid approximately \$689,000 and \$469,000 of the related interest. The notes are due May 31, 2005. The stock redemption was accounted for under the "push-down" method of accounting, as substantially all of the common stock of SBG became owned by a management control group through the above-described redemption of approximately 73% of SBG's common stock and the transaction described below. The purchase price was allocated based upon the fair value of the assets and liabilities of the Company and resulted in additional recorded acquired intangible broadcasting assets of \$13,759,000.

The accompanying financial statements reflect the results of operations of SBG and subsidiaries since the redemption date of September 30, 1990, reflecting a new basis of accounting as a result of the application of "push-down" accounting. Information prior to September 30, 1990, represent the financial results of the "predecessor" of SBG and subsidiaries. The companies mentioned above, as well as the predecessor, which are collectively referred to hereafter as "the Company or Companies", own and operate television stations in Baltimore, Maryland; Pittsburgh, Pennsylvania; and Columbus, Ohio.

*Principles of Consolidation*

All significant intercompany transactions and account balances have been eliminated in consolidation.

*Cash and Cash Equivalents*

Cash and cash equivalents consist of cash and overnight investments at a commercial bank.

*Programming*

The Companies have agreements with distributors for the rights to television programming over contract periods which generally run from one to seven years. Contract payments are made in installments over terms that are generally shorter than the contract period. Each contract is recorded as a liability when the license period begins and the program is available for its first showing. The portion of the program contracts payable due within one year is reflected as a current liability in the accompanying consolidated financial statements.

The rights to program materials are reflected in the accompanying consolidated balance sheets at the lower of unamortized cost or estimated net realizable value. Estimated net realizable values are based upon management's expectation of future advertising revenues to be generated by the program

material. Amortization of program contract costs is generally computed under either the straight-line method based on license period or based on usage, whichever yields the greater amortization for each program. Program contract costs to be amortized in the succeeding year are classified as current assets.

Amortization expense and net realizable value adjustments were \$1,196,000, \$9,711,000 and \$16,288,000 for the three months ended December 31, 1990, and the years ended December 31, 1991 and 1992, respectively, and \$5,084,000 and \$4,888,000 for the six months ended June 30, 1992 and 1993, respectively. Due to programming commitments entered into in 1992, certain program contracts acquired in connection with the WPGH acquisition were subsequently determined to have no value to the Companies. Approximately \$3,000,000 of charges were included in amortization of program contract costs and net realizable value adjustments during 1992 related to these contracts.

WBFF, WTTE and WPGH are affiliated with the Fox Broadcasting Company (Fox). Under the affiliation agreements and subsequent renewals, WBFF, WTTE and WPGH are committed to make available certain time periods for Fox programming through October 15, 1998, in exchange for advertising air time and other defined compensation. Net revenues related to these affiliation agreements were approximately \$1,411,000, \$6,348,000, \$10,698,000, \$4,450,000 and \$6,032,000, respectively, during the three months ended December 31, 1990, the years ended December 31, 1991 and 1992, and during the six months ended June 30, 1992 and 1993.

#### *Barter Arrangements*

The Companies broadcast certain customers' advertising in exchange for equipment, merchandise and services. The estimated fair value of the equipment, merchandise or services to be received is recorded as deferred barter costs and the corresponding obligation to broadcast advertising is recorded as deferred barter revenues. The deferred barter costs are expensed or capitalized as they are used, consumed or received. Deferred barter revenues are recognized as the related advertising is aired.

Certain program contracts provide for the exchange of advertising air time in lieu of cash payments for the rights to such programming. These contracts are recorded as the programs are aired at the estimated fair value of the advertising air time given in exchange for the program rights.

#### *Other Assets*

Other assets primarily relate to the \$6,000,000 term note, prepaid noncompete agreements and deferred financing costs (see Note 11).

#### *Acquired Intangible Broadcasting Assets*

Acquired intangible broadcasting assets are being amortized over periods of 3 to 40 years. These amounts result from the acquisition of minority interests in 1986 and the stock redemptions in 1988 and 1990 (see Note 11), as well as the acquisition of WPGH (see Note 13). The weighted average life of the related assets which include goodwill and the WPGH FCC license, decaying advertising base, Fox affiliation agreement and other intangible assets is approximately 9 years.

#### *Interim Financial Statements*

The consolidated financial statements for the six months ended June 30, 1992 are unaudited, but in the opinion of management, such financial statements have been presented on the same basis as the audited financial statements and include all adjustments, consisting only of normal recurring adjustments necessary for a fair presentation of the financial position and results of operations for that period.

## 2. PROPERTY AND EQUIPMENT:

Property and equipment are stated at cost, less accumulated depreciation. Depreciation is computed under the straight-line method over the following estimated useful lives:

Buildings and improvements .....	10 - 35 years
Station equipment .....	5 - 10 years
Office furniture and equipment .....	5 - 10 years
Leasehold improvements .....	10 - 31 years
Automotive equipment .....	3 - 5 years
Property and equipment under capital lease ...	Shorter of 10 years or the lease term

Property and equipment consists of the following as of December 31, 1991 and 1992 and June 30, 1993 (in thousands):

	December 31,		June 30,
	1991	1992	1993
Land and improvements .....	\$ 578	\$ 578	\$ 578
Buildings and improvements .....	2,993	2,993	2,993
Leasehold improvements .....	2,128	2,139	2,164
Station equipment .....	8,173	8,455	8,329
Office furniture and equipment .....	1,422	1,500	1,608
Automotive equipment .....	311	307	307
Property, equipment and autos under capital leases .....	<u>7,631</u>	<u>7,672</u>	<u>7,672</u>
	23,236	23,644	23,651
Less—Accumulated depreciation and amortization .....	<u>7,284</u>	<u>9,918</u>	<u>11,099</u>
	<u>\$15,952</u>	<u>\$13,726</u>	<u>\$12,552</u>

## 3. NOTES PAYABLE AND COMMERCIAL BANK FINANCING:

In order to obtain the necessary financing to purchase WPGH, CRI refinanced its previously existing \$25,000,000 term note on August 30, 1991. The resulting \$95,000,000 secured debt facility consists of \$80,000,000 in term loans with annual reductions in equal quarterly installments which began on September 30, 1992. The \$80,000,000 term loan consists of two tranches which are payable over 73 to 76 months and includes a \$57,000,000 interest rate hedging provision. The lenders have also made available a \$15,000,000 senior secured revolving line of credit. A portion of this facility was restricted in use to service certain obligations to previous minority stockholders as described in Note 11. As discussed in Note 14, additional restrictions have been applied subsequent to June 30, 1993.

CRI has the option to elect interest rates among various base rates plus certain percentages over the base rate, which fluctuate depending upon operating cash flows. The agreement imposes various restrictions and covenants on the Companies including certain restrictions as to dispositions and purchases of assets, dispositions and purchases of businesses, additional indebtedness, guarantees of indebtedness, declaration of dividends, issuance or redemptions of common stock, additional loans to affiliates and the maintenance of certain financial ratios and cash flow requirements. An availability fee of 1/2% per annum on any unborrowed committed amount is payable quarterly. Additionally, a prepayment fee exists within the first 36 months for any permanent reduction in the total commitment.

For the revolver portion of the secured debt facility, average borrowings and the highest borrowings outstanding were approximately \$2,000,000 and \$3,000,000 during 1991, \$10,000,000 and \$13,000,000 during 1992, \$10,000,000 and \$12,000,000 during the six months ended June 30, 1992, and \$8,100,000 and \$13,000,000 during the six months ended June 30, 1993, respectively. The average

interest rate and highest interest rate were 9.5% and 10.0% during 1991, 7.4% and 8.5% during 1992, 7.6% and 8.5% during the six months ended June 30, 1992, and 6.3% and 8.0% during the six months ended June 30, 1993, respectively.

Under the previous secured revolving credit facility, average borrowings and the highest borrowings outstanding were \$500,000 and \$2,500,000 during 1991. The average interest rate and highest interest rate during 1991 were 9.1% and 9.6%.

In conjunction with the refinancing discussed above, CRI also entered into a warrant agreement with the bank. The warrants were valued at \$11,607,000 in accordance with an independent appraisal and were recorded as warrants outstanding with a corresponding reduction to the face amount of the commercial bank financing. The warrant value is being amortized as debt discount expense over the term of the debt. Amortization of debt discount expense was \$610, \$2,096, \$916 and \$1,035 for the years ended December 31, 1991 and 1992 and the six months ended June 30, 1992 and 1993.

This agreement provided the bank an option to convert the warrants to 15% of the issued and outstanding shares of common stock of WPGH at the occurrence of certain triggering events, or at the expiration date of August 30, 2001. On June 15, 1993, the Company purchased 13.33% of the warrants outstanding for \$850,000. The difference between the carrying value of the warrants and the purchase price, net of related expenses of \$500,000, was recorded as an extraordinary gain. The warrants are puttable for cash based on predefined formulas.

The warrants are puttable for cash based on predefined formulas after certain triggering events. Triggering events for put rights of the warrants are defined as the earlier of September 30, 1993, the date upon which the outstanding debt becomes due or is refinanced, a merger or consolidation of CRI or WPGH, a sale, lease or other disposition of all or substantially all of the assets of CRI or WPGH or their subsidiaries, any change in control or if it becomes legally burdensome to hold such warrants. The warrants can be called after March 31, 1994.

The warrant agreement includes certain restrictions which prohibit WPGH from issuing any preferred stock or stock rights. Further, among other restrictive covenants, WPGH may not repurchase, redeem or otherwise acquire any shares of common stock of any class, other than from present shareholders. CRI may not incur, at any time, any indebtedness which in the aggregate is in excess of \$125,000,000. WPGH and its subsidiaries are restricted from incurring, at any time, any indebtedness which, in the aggregate, is in excess of \$58,500,000. The warrant holders also have the right to participate in any sales of WPGH's stock on a pro-rata basis and share in the proceeds of certain asset or stock sales subsequent to the redemption of the warrants.

In September 1993, the Company purchased the remaining warrants outstanding for \$9,000,000. The carrying value of these warrants as of June 30, 1993, was \$10,059,000.

Notes payable and commercial bank financing consisted of the following as of December 31, 1991 and 1992, and June 30, 1993 (in thousands):

	<u>December 31,</u>		<u>June 30,</u>
	<u>1991</u>	<u>1992</u>	<u>1993</u>
Secured debt facility payable to a commercial bank, interest ranging among various base rates plus certain percentages above the base rate .....	\$ 80,000	\$ 71,333	\$66,331
Secured revolving credit facility payable to a commercial bank, interest ranging among various base rates plus certain percentages above the base rate .....	1,000	13,000	5,500
Subordinated installment notes payable to former majority owners, interest at 8.75%, principal payments in varying amounts due annually beginning October 1991 with a balloon payment due at maturity .....	13,309	13,117	13,117
Notes payable to former officer as described in Note 11, interest at 16% .....	4,363	—	—
Mortgages payable to various financial institutions, interest ranging from 12% to 15% .....	503	448	415
Unsecured installment notes to former minority stockholders of CRI and WBFF, interest ranging from 7% to 18% .	<u>5,759</u>	<u>4,231</u>	<u>3,904</u>
	104,934	102,129	89,267
Less — Unamortized debt discount .....	<u>(10,996)</u>	<u>(8,900)</u>	<u>(7,865)</u>
	93,938	93,229	81,402
Current portion .....	<u>(12,161)</u>	<u>(10,783)</u>	<u>(10,862)</u>
	<u>\$ 81,777</u>	<u>\$ 82,446</u>	<u>\$70,540</u>

Notes payable, as of June 30, 1993, mature as follows (in thousands):

1993 .....	\$ 5,433
1994 .....	11,475
1995 .....	13,631
1996 .....	13,750
1997 .....	33,732
1998 .....	253
1999 and thereafter .....	<u>10,992</u>
	<u>\$89,266</u>

Substantially all of the Companies' assets have been pledged as security for notes payable and commercial bank financing. In addition, the stockholders have pledged their stock in SBG to the commercial bank and have delivered mortgages and security agreements, as well as the \$6,000,000 note received from the sale of WPTT as described in Note 8 (held by former SBG majority stockholders effective March 1, 1993), as additional collateral. Further, Cunningham Communications, Inc. (Cunningham), Keyser Investment, Inc. (KCI), and Gerstell Development Limited Partnership (Gerstell), all businesses that are owned and controlled by the stockholders, were required to guarantee obligations to the commercial bank. Cunningham, KCI, and Gerstell are landlords of the Company's operating subsidiaries. The guarantees of Cunningham, KCI, and Gerstell are secured by pledges of substantially all of the assets of each corporation.

The unsecured installment notes payable to former minority stockholders are payable in semiannual payments of \$702,000 through 1997. Should SBG exercise the right to prepay the notes, a prepayment penalty not to exceed \$940,000 also becomes due to the noteholders.

#### 4. CAPITAL LEASES PAYABLE:

The Companies lease various station equipment and WBFF's building and broadcasting tower facilities under noncancelable capital leases. The building and broadcasting tower facilities are leased from a related party as described in Note 8. As of June 30, 1993, future payments due under these leases are as follows (in thousands):

1993 .....	\$ 819
1994 .....	1,776
1995 .....	1,328
1996 .....	1,366
1997 .....	693
1998 .....	431
1999 and thereafter .....	<u>1,227</u>
Total minimum payments due .....	7,640
Less—Amount representing interest .....	<u>2,287</u>
Present value of future capital lease payments ..	<u><u>\$5,353</u></u>

The breakdown of capital lease obligations by type of lease as of December 31, 1991 and 1992, and June 30, 1993, is as follows (in thousands):

	<u>December 31,</u>		<u>June 30,</u>
	<u>1991</u>	<u>1992</u>	<u>1993</u>
Capital leases on equipment, interest rates averaging 11% .....	\$3,077	\$2,476	\$2,173
Capital leases for broadcasting tower facilities, interest rates averaging 10% .....	1,672	1,476	1,365
Capital lease for building, interest at 17.5% .....	1,705	1,689	1,673
Capital leases for autos, interest at 11% ..	<u>184</u>	<u>182</u>	<u>142</u>
	<u><u>\$6,638</u></u>	<u><u>\$5,823</u></u>	<u><u>\$5,353</u></u>

#### 5. PROGRAM CONTRACTS PAYABLE:

Future payments required under program contracts payable as of June 30, 1993, are as follows (in thousands):

1993 .....	\$ 6,153
1994 .....	8,694
1995 .....	4,903
1996 .....	820
1997 .....	211
1998 and thereafter .....	<u>39</u>
	20,820
Less—Current portion .....	<u>(11,521)</u>
Long-term portion of program contracts payable	<u><u>\$ 9,299</u></u>

Included in the 1993 amounts are payments due in arrears of \$1,746,000. In addition, the Companies have entered into noncancelable commitments for future program rights aggregating \$4,248,000 as of June 30, 1993. As is consistent with prior years, program contracts payable and the assets related to these commitments have not been recognized in the accompanying consolidated financial statements as all of the conditions specified in the related license agreements have not been met.

## 6. LOANS TO OFFICERS AND AFFILIATES:

On September 30, 1990, SBG sold Channel 63, Inc. (WHIB) to certain SBG stockholders. The proceeds of this sale of \$1,500,000 consisted of a note which was amended and restated on June 30, 1992. The remaining principal balance at that date was approximately \$1,459,000 and is payable in equal principal and interest installments of \$16,000 until September 2000, on which date a balloon payment of approximately \$431,000 is due. The note earns 6.88% annual interest.

Also during the three months ended December 31, 1990, the years ended December 31, 1991 and 1992, and the six months ended June 30, 1992 and 1993, the Companies loaned the SBG stockholders an additional \$70,000, \$400,000, \$809,000, \$699,000 and \$122,000, respectively. The 1992 and 1993 advances included \$163,000 and \$71,000 of accrued interest. The loans are payable to SBG on demand and earn interest at rates ranging from prime plus 1% to 7.9%.

During 1990, WBFF sold certain station equipment to an affiliate for \$512,000. The sale is accounted for on an installment basis since the affiliate is in the start-up phase. The note is to be paid over five years and earns annual interest at 11%.

## 7. INCOME TAXES:

SBG, including its consolidated subsidiaries, files consolidated federal income tax returns and separate company state tax returns.

In February 1992, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes". The Company retroactively adopted the new accounting and disclosure rules effective January 1, 1990, resulting in an increase in net income of \$390,000 and \$291,000 in the years ended December 31, 1991 and 1992, respectively, from what would have been reported under the previous method.

The provision (benefit) for income taxes consists of the following (in thousands):

	Three Months Ended December 31, 1990	Years Ended December 31, 1991      1992		Six Months Ended June 30, 1992      1993 (unaudited)	
<b>Current</b>					
Federal .....	\$300	\$ (392)	\$ (858)	\$(884)	\$(180)
State .....	68	(42)	275	109	50
	<u>368</u>	<u>(434)</u>	<u>(583)</u>	<u>(775)</u>	<u>(130)</u>
<b>Deferred</b>					
Federal .....	(64)	(988)	(573)	(49)	(600)
State .....	(16)	(158)	(33)	(13)	(150)
	<u>(80)</u>	<u>(1,146)</u>	<u>(606)</u>	<u>(62)</u>	<u>(750)</u>
	<u>\$288</u>	<u>\$(1,580)</u>	<u>\$(1,189)</u>	<u>\$(837)</u>	<u>\$(880)</u>



The following is a reconciliation of the statutory federal income taxes to the recorded provision (benefit) (in thousands):

	Three Months Ended December 31, 1990	Years Ended December 31, 1991 1992		Six Months Ended June 30, 1992 1993 (unaudited)	
Statutory federal income taxes .....	\$252	\$ (2,122)	\$ (2,203)	\$ (1,551)	\$ (2,158)
Adjustments—					
State income taxes, net of federal effect ..	34	(119)	160	63	(254)
Goodwill amortization .....	95	430	484	243	235
Nontaxable gain on life insurance pro- ceeds .....	—	—	—	—	(337)
Portion of tax loss carryforward gener- ated recorded as a valuation allowance ..	—	—	—	—	1,800
Other .....	(93)	231	370	408	(166)
Provision (benefit) for income taxes ...	<u>\$288</u>	<u>\$ (1,580)</u>	<u>\$ (1,189)</u>	<u>\$ (837)</u>	<u>\$ (880)</u>

During the six months ended June 30, 1993, the Company generated taxable losses of approximately \$7,300,000, resulting in a deferred tax asset of \$2,793,000. The total deferred tax asset as of June 30, 1993 of \$2,400,000 required an additional valuation allowance of \$1,800,000—the amount by which the net deferred tax asset exceeded the deferred tax liability.

Temporary differences between the financial reporting carrying amounts and the tax basis of assets and liabilities give rise to deferred taxes. The principal sources of temporary differences and their effects on the provision (benefit) for deferred income taxes are as follows (in thousands):

	Three Months Ended December 31, 1990	Years Ended December 31, 1991 1992		Six Months Ended June 30, 1992 1993 (unaudited)	
Program contract amortization and net re- alizable value adjustments .....	\$ (163)	\$ (644)	\$ (853)	\$ (405)	\$ 328
Depreciation and amortization .....	66	169	(220)	(117)	(210)
Bad debt reserves .....	(24)	14	(37)	(18)	(20)
Tax credit carryforwards generated .....	—	—	(450)	—	—
Loss carryforward for tax purposes .....	—	—	—	—	(2,793)
Capital lease accounting .....	21	66	100	49	60
Deferred gain recognition .....	(27)	34	34	17	15
Deferred commission recognition .....	—	(280)	89	44	—
Other .....	47	(515)	731	368	70
Increase in valuation reserve .....	—	—	—	—	1,800
	<u>\$ (80)</u>	<u>\$ (1,156)</u>	<u>\$ (606)</u>	<u>\$ (62)</u>	<u>\$ (750)</u>

Total deferred tax assets and deferred tax liabilities as of December 31, 1991 and 1992, and June 30, 1993, and the sources of the difference between financial accounting and tax bases of the Company's assets and liabilities which give rise to the deferred tax assets and deferred tax liabilities and the tax effects of each are as follows (in thousands):

	December 31,		June 30,
	1991	1992	1993
<b>Deferred Tax Assets:</b>			
Tax credit carryforwards .....	\$ —	\$ 450	\$ 450
Loss carryforward for tax purposes .....	—	—	2,793
Accounts receivable .....	152	189	208
Deferred commissions .....	415	326	282
Program contracts .....	1,187	2,041	1,325
Other .....	646	394	186
Valuation allowance .....	(600)	(600)	(2,400)
	<u>\$1,800</u>	<u>\$2,800</u>	<u>\$2,844</u>
<b>Deferred Tax Liabilities:</b>			
FCC license .....	\$1,557	\$1,493	\$1,461
Property and equipment .....	1,380	1,138	960
Capital lease accounting .....	155	254	315
Other .....	64	665	108
	<u>\$3,156</u>	<u>\$3,550</u>	<u>\$2,844</u>

#### 8. RELATED PARTY TRANSACTIONS:

Certain of the Companies have entered into sale-leaseback transactions in which they sold certain facilities to Cunningham Communications, Inc. (Cunningham), a corporation owned by various SBG stockholders, and then leased the facilities under noncancelable capital leases which expire in 1997 and 1998. These assets collateralize certain Cunningham notes payable. Aggregate rental payments related to these capital leases during the three months ended December 31, 1990, the years ended December 31, 1991 and 1992, and the six months ended June 30, 1992 and 1993, were \$168,000, \$285,000, \$354,000, \$173,000 and \$182,000, respectively.

In August 1991, WBFF entered into a ten year capital lease at approximately \$300,000 per year for a new administrative and studio facility with Keyser Investment Group, Inc. (Keyser), a corporation owned by the SBG stockholders.

Effective August 30, 1991, SBG sold substantially all of the assets of CRI which were primarily represented by the Pittsburgh television station, WPTT. The majority of the sales price was financed through a term note of \$6,000,000 and a \$1,000,000 subordinated convertible debenture to CRI. The debenture is convertible for up to 80% of the nonvoting capital stock of WPTT, subject to FCC approval. The term note is secured by all of the assets and outstanding stock of the newly incorporated station. The gain of \$5,233,000, net of the investment in WPTT at the sale date, was deferred until the realizability of the related notes was determined to be probable. Related to the sale of WPTT, CRI has entered into lease agreements whereby the new owner of WPTT rents usage of the tower and the station building owned by CRI.

In March 1993, CRI assigned the rights to the \$6,000,000 term note received from the sale of WPTT, plus accrued interest, to the former majority stockholders of SBG in exchange for \$50,000 in cash and a note for \$6,559,000. The new note bears interest at 7.21% and requires interest only payments through September 2001. Monthly principal payments of \$109,000 plus interest are payable beginning November 2001 until September 2006, at which time the remaining principal balance plus accrued interest, if any, is due. The deferred gain of \$4,486,000 related to the \$6,000,000 note was recognized in 1992 as the realizability from the former stockholders (to whom SBG owed \$13,117,000 as of December 31, 1992) was determined to be probable. This amount was recognized as additional paid-in capital due to the related party nature of the transaction.

During 1992, the \$1,000,000 subordinated convertible debenture received from the sale of WPTT was assigned to SBG's current stockholders in exchange for \$100,000 in cash and a \$900,000 note which bears interest at 7.9%. As the remaining note is due from current stockholders, the portion of the gain related to the original \$1,000,000 debenture is being recognized as a capital contribution as cash is received. For the year ended December 31, 1992, and the six months ended June 30, 1993, \$90,000 and \$25,000, respectively, were recognized as additional paid-in capital.

Related to the WPTT transaction, on August 30, 1991, CRI purchased substantially all of the assets of another Pittsburgh television station, WPGH. The results of operations of WPTT through August 30, 1991 and the results of operations of WPGH from August 30, 1991 through December 31, 1992 are included in the accompanying consolidated financial statements. CRI paid \$55,000,000 for WPGH which included approximately \$11,656,000 for property and programming costs and \$9,993,000 of acquired intangible broadcasting assets. A deferred tax liability and corresponding additional goodwill of \$1,950,000 was also recorded due to differences between the book and tax basis of the acquired assets. The remainder was allocated to other intangible assets based upon an independent appraisal and is being amortized over periods ranging from 3 to 25 years.

In January 1992, WPGH entered into a management agreement with Keyser Communications, Inc. (Keyser), an affiliated company owned by the stockholders of the Company, whereby WPGH places on WPTT certain of WPGH's excess programming on behalf of Keyser. Program contracts deemed to have no value to WPGH were utilized under this arrangement during 1992 and 1993. Amortized cost and net book value as of the beginning of the year for these contracts were approximately \$1,460,000 and \$1,200,000 in 1992 and \$695,000 and \$85,000 for the six months ended June 30, 1993, respectively. In consideration for this programming, WPGH earns a 10% commission on all net revenues generated for this and other programming plus the promotional use of any unsold inventory on WPTT. Any out-of-pocket expenses are reimbursed by Keyser, although WPGH does pay for commissions earned on the sales. Commissions and reimbursements, net of commissions, of approximately \$112,000 in 1992 and \$54,000 during the six months ended June 30, 1993, and promotional commercial inventory valued at approximately \$40,000 in 1992 and \$17,000 during the six months ended June 30, 1993, were received under this arrangement.

#### **9. EMPLOYEE BENEFIT PLAN:**

The Sinclair Broadcast Group, Inc. 401(k) profit sharing plan and trust (the SBG Plan) covers eligible employees of each of the Companies. Contributions made to the SBG Plan include an employee elected salary reduction amount, company matching contributions and a discretionary amount determined each year by the Board of Directors. The Company's 401(k) expense for the three months ended December 31, 1990, the years ended December 31, 1991 and 1992, and for the six months ended June 30, 1992 and 1993, were \$11,000, \$79,000, \$109,000, \$55,000 and \$69,000, respectively. There were no discretionary contributions during these periods.

#### **10. CONTINGENCIES AND OTHER COMMITMENTS:**

Lawsuits and claims are filed against the Companies from time to time in the ordinary course of business. These actions are in various preliminary stages, and no judgments or decisions have been rendered by hearing boards or courts. Management, after reviewing developments to date with legal counsel, is of the opinion that the outcome of such matters will not have a material adverse effect on the Companies' financial position or results of operations.

The Companies have entered into operating leases for certain automotive and office equipment, a parcel of land and WTTE's broadcasting tower facility under terms ranging from three to ten years. The rent expense under these leases, as well as certain leases under month-to-month arrangements, for the three months ended December 31, 1990, the years ended December 31, 1991 and 1992, and the six months ended June 30, 1992 and 1993, aggregated approximately \$258,000, \$268,000, \$239,000, \$120,000 and \$108,000, respectively. Future minimum payments under the leases are as follows (in thousands):

1993 .....	\$118
1994 .....	117
1995 .....	21
1996 .....	<u>—</u>
	<u>\$256</u>

#### 11. TRANSACTIONS WITH FORMER OFFICERS:

In December 1986, the Companies entered into certain not-to-compete agreements with a former officer in the aggregate amount of \$345,000 per year. This agreement ended May 1993.

On January 1, 1988, the Companies issued a note payable to another former officer in the amount of \$4,000,000 in consideration of a stock redemption. This note payable matured and was repaid in February 1992, along with interest due in arrears for this note.

Also during 1990, the Companies paid \$5,979,000 to this former officer in consideration of a stock redemption and extensions of the existing not-to-compete and consulting agreements through 1993. As this transaction was a final redemption related to a step acquisition which began in 1986, this redemption was also accounted for under the purchase method of accounting. As such, the agreement resulted in additional recorded acquired intangible broadcasting assets of \$1,242,000 and other assets of \$4,800,000 in the Companies' 1990 financial statements.

On January 1, 1988, the former officer also loaned the Companies \$363,000, through a term promissory note. This note also matured February 1992. Interest on these notes accrued at 5.5% per annum to be paid annually. Additional interest of 10.5% per annum, on the unpaid principal balance, was paid at maturity along with the entire principal portion.

Additionally, the Companies entered into various consulting and not-to-compete agreements with this former officer and a related consulting company. Under these agreements, annual consulting fees, which were guaranteed by CRI and WBFF, of \$563,000 and aggregate not-to-compete payments totaling \$2,657,000 were payable through 1991. Payments under these agreements were \$2,157,000 and \$2,512,000 during 1991 and 1992, respectively, with the final payment made in February 1992.

The expense under these agreements is being recorded on a straight-line basis over the life of the agreements and is recorded in the Companies' consolidated statement of operations within the respective expense classifications to which they relate. Expenses recorded in excess of cash payments are recorded as accrued liabilities. Expenses recorded under these agreements were \$2,525,000 in 1991 and 1992.

#### 12. LIFE INSURANCE PROCEEDS:

In May 1993, the Company received life insurance proceeds in excess of the carrying value of the related policies of approximately \$844,000. This nontaxable gain has been recorded as other income.

### 13. ACQUISITION OF WPGH:

The unaudited pro forma summary consolidated results of operations for the three months ended December 31, 1990, and the year ended December 31, 1991, assuming the acquisition of WPGH and the sale of WPTT had occurred on October 1, 1990, is as follows (in thousands):

	<u>1990</u>	<u>1991</u>
	(Unaudited)	
Revenues, net .....	\$15,066	\$56,547
Operating expenses, net of depreciation and amortization .....	8,168	30,168
Depreciation and amortization .....	5,726	23,327
Other expenses, net .....	3,338	14,311
Benefit for income taxes .....	(800)	(3,300)
Net loss .....	<u>\$ (1,366)</u>	<u>\$ (7,959)</u>

### 14. SUBSEQUENT EVENTS:

#### *Acquisitions*

Subsequent to June 30, 1993, the Company entered into an agreement with ABRV Communications, Inc. (ABRY) to purchase two of their stations for an aggregate purchase price of approximately \$60 million, plus approximately \$56 million for covenants not-to-compete in these and the Company's current markets. These two stations, both of which are Fox affiliates, are WCGV in Milwaukee, Wisconsin, and WTTO in Birmingham, Alabama.

The Company has also entered into agreements to purchase the program contracts and certain other assets of television station WNUV in Baltimore, Maryland, and WVTM in Milwaukee, Wisconsin. These agreements are for an aggregate purchase price of approximately \$65 million. The Company will not be acquiring the FCC license and certain other related assets of either station.

A standby letter of credit has been issued in the amount of \$6,250,000 and placed with an escrow agent to hold for the ABRV acquisitions. Restrictions against the Company's revolving line of credit in that amount are in place as long as the letter of credit remains open. The execution of the letter of credit is limited to specific breaches of the agreements.

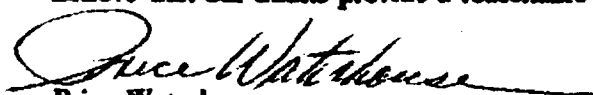
#### *Bonuses Declared*

In September 1993, the Company declared special bonuses to be paid to executive officers totaling \$10,000,000. As the bonuses were compensation for various past services, the total amount has been recorded as compensation expense during the six months ended June 30, 1993 and has been accrued as of June 30, 1993.

## **Report of Independent Accountants**

**To the Partners of BBM Partners, L.P.**

In our opinion, the accompanying financial statements listed in the Index on page F-1 present fairly, in all material respects, the financial position of BBM Partners, L.P. at December 31, 1992 and 1991, and the results of its operations and its cash flows for each of the two years in the period ended December 31, 1992, in conformity with generally accepted accounting principles. These financial statements are the responsibility of the Partnership's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with generally accepted auditing standards which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for the opinion expressed above.

  
Price Waterhouse

Boston, Massachusetts  
March 22, 1993

**BBM Partners, L.P.**

**Balance Sheet**

	<u>December 31,</u>	
	<u>1991</u>	<u>1992</u>
	(in thousands)	
<b>Assets</b>		
Current assets:		
Cash and cash equivalents .....	\$ 386	\$ 2,925
Accounts receivable, less allowance for doubtful accounts of \$151 in 1991 and \$206 in 1992 .....	5,540	5,276
Due from related parties .....	151	—
Broadcast rights, net .....	8,741	6,641
Prepaid expenses .....	66	109
Total current assets .....	14,884	14,951
Property and equipment, net .....	16,835	14,736
Broadcast rights, net .....	9,955	6,631
Goodwill, net .....	18,565	18,085
Other intangible assets, net .....	3,397	2,889
	<u>\$63,636</u>	<u>\$57,292</u>
<b>Liabilities and Partners' Capital</b>		
Current liabilities:		
Current portion long-term debt .....	\$ —	\$ 1,500
Accounts payable .....	431	454
Accrued expenses .....	1,366	1,693
Interest payable .....	1,466	371
Due to related parties .....	672	589
Broadcast rights payable .....	4,464	3,992
Total current liabilities .....	8,399	8,599
Broadcast rights payable .....	2,011	2,241
Long-term debt .....	59,201	56,537
Commitments and contingencies (Note 8) .....		
Partners' capital .....	(5,975)	(10,085)
	<u>\$63,636</u>	<u>\$57,292</u>

The accompanying notes are an integral part of these financial statements.

**BBM Partners, L.P.**  
**Statement of Operations**

	<u>Year ended December 31,</u>	
	<u>1991</u>	<u>1992</u>
	(in thousands)	
Revenues -- net of agency and national representative commissions .....	<u>\$ 29,145</u>	<u>\$30,521</u>
Costs and expenses:		
Programming, production and engineering .....	3,221	3,192
Amortization of broadcast rights .....	14,366	10,817
Sales, promotion and marketing .....	4,200	4,670
General and administrative .....	7,590	8,043
Depreciation and amortization .....	<u>4,774</u>	<u>3,303</u>
	<u>34,151</u>	<u>30,025</u>
Income (loss) from operations .....	(5,006)	496
Interest income .....	16	21
Interest expense .....	<u>(6,096)</u>	<u>(4,627)</u>
Net loss .....	<u><u>\$(11,086)</u></u>	<u><u>\$(4,110)</u></u>

The accompanying notes are an integral part of these financial statements.



BBM Partners, L.P.

Statement of Changes in Partners' Capital  
For the Years Ended December 31, 1991 and 1992

	<u>General Partners</u>	<u>Limited Partner</u> (in thousands)	<u>Total</u>
Balance at December 31, 1990 .....	\$ 4,685	\$426	\$ 5,111
Net loss for the year ended December 31, 1991 .....	<u>(10,660)</u>	<u>(426)</u>	<u>(11,086)</u>
Balance at December 31, 1991 .....	(5,975)	-	(5,975)
Net loss for the year ended December 31, 1992 .....	<u>(4,110)</u>	<u>-</u>	<u>(4,110)</u>
Balance at December 31, 1992 .....	<u><u>\$(10,085)</u></u>	<u><u>\$ -</u></u>	<u><u>\$(10,085)</u></u>

The accompanying notes are an integral part of these financial statements.

**BBM Partners, L.P.**  
**Statements of Cash Flows**

	<u>Year ended December 31,</u>	
	<u>1991</u>	<u>1992</u>
	(in thousands)	
<b>Cash flows from operating activities:</b>		
Net loss .....	\$(11,086)	\$(4,110)
Adjustments to reconcile net loss to net cash (used for) provided by operating activities:		
Depreciation and amortization .....	2,272	2,315
Amortization of goodwill .....	480	480
Amortization of other intangible assets .....	1,962	508
Amortization of broadcast rights, net of barter .....	9,412	6,413
Loss (gain) on disposal of property and equipment .....	60	(22)
(Increase) decrease in accounts receivable .....	(5,107)	264
(Increase) decrease in due from related parties .....	(151)	151
Decrease (increase) in prepaid expenses .....	32	(43)
(Decrease) increase in accounts payable .....	(72)	23
(Decrease) increase in accrued expenses .....	(762)	327
Increase (decrease) in interest payable .....	1,466	(1,095)
Increase (decrease) in due to related parties .....	133	(83)
Decrease in broadcast rights payable, net of barter .....	<u>(4,904)</u>	<u>(1,231)</u>
Net cash (used for) provided by operating activities ..	<u>(6,265)</u>	<u>3,897</u>
<b>Cash flows from investing activities:</b>		
Additions to property and equipment .....	(248)	(289)
Proceeds from sale of property and equipment .....	<u>6</u>	<u>95</u>
Net cash used for investing activities .....	<u>(242)</u>	<u>(194)</u>
<b>Cash flows from financing activities:</b>		
Proceeds from issuance of long-term debt .....	7,839	900
Repayment of long-term debt .....	<u>(2,636)</u>	<u>(2,064)</u>
Net cash provided by (used for) financing activities ...	<u>5,203</u>	<u>(1,164)</u>
Net (decrease) increase in cash and cash equivalents .....	<u>(1,304)</u>	<u>2,539</u>
Cash and cash equivalents at beginning of year .....	<u>1,690</u>	<u>386</u>
Cash and cash equivalents at end of year .....	<u>\$ 386</u>	<u>\$ 2,925</u>
<b>Supplemental schedule of noncash investing and financing activities:</b>		
Film contracts acquired .....	<u>\$ 5,408</u>	<u>\$ 5,449</u>
Film contract liability additions .....	<u>\$ 5,408</u>	<u>\$ 5,449</u>

The accompanying notes are an integral part of these financial statements.

**BBM Partners, L.P.**  
**Notes to Financial Statements**

**1. ORGANIZATION**

BBM Partners, L.P. (the "Partnership") is a joint venture of WTTO-TV, Inc. and WCGV-TV, Inc. (the "general partners") and Heller Financial, Inc. (the "limited partner") (Note 3). On December 21, 1990 the Partnership acquired the business and certain assets and assumed certain liabilities of HR Broadcasting Corporation, Inc., Channel 17 Associates, Ltd., HR Broadcasting of Birmingham, Inc. and HR Broadcasting of Milwaukee, Inc. (the "Sellers"). The Partnership was organized under the laws of the State of Delaware on December 11, 1990. The Partnership is a television broadcaster serving the Milwaukee, Wisconsin area through station WCGV on UHF Channel 24 and the Birmingham, Alabama area through station WTTO on UHF Channel 21. In addition, the Partnership serves the Tuscaloosa and Gadsen, Alabama markets through rebroadcast and affiliation agreements with WDBB on UHF Channel 17 and WNAL on UHF Channel 44, respectively.

The acquisition described above has been accounted for as a purchase. Accordingly, the aggregate acquisition cost has been allocated among the acquired assets and liabilities, in conformity with Opinion No. 16 of the Accounting Principles Board, giving recognition to the fair value of the assets acquired. The aggregate acquisition cost and allocation of such cost to the assets acquired are as follows:

Aggregate acquisition cost:	
Cash consideration .....	\$44,313
Direct acquisition costs .....	<u>\$29</u>
	<u>\$44,842</u>
Application to assets and (liabilities):	
Property and equipment .....	\$19,135
Broadcast rights .....	28,330
Broadcast rights payable .....	(23,855)
Goodwill and other intangible assets .....	<u>21,232</u>
	<u>\$44,842</u>

The Partnership funded the asset purchase principally through borrowings described in Note 6.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (IN THOUSANDS)**

*Allocation of Partnership Results to Partners' Capital Accounts*

The net loss of the Partnership is allocated among the capital accounts of the partners based on their relative partnership interests until the limited partner's capital has been exhausted. Thereafter, net losses are allocated solely to the general partners. Net income is allocated in proportion to previously allocated net losses in reverse chronological order. Thereafter, net income is allocated to partners based on their relative partnership interests, as defined in the agreement.

*Revenue Recognition*

Revenue from the sale of air time to advertisers is recognized when the advertisement is broadcast.

*Broadcast Rights*

Broadcast rights are stated at the lower of unamortized cost or estimated net realizable value. Broadcast rights and the related liabilities are recorded at the contract value when the license period begins and the right is available for use. Broadcast rights are amortized using the straight-line method over the number of showings or license period. The net realizable value of broadcast rights for which

**BBM Partners, L.P.**  
**Notes to Financial Statements — (Continued)**

the Partnership is contractually committed is reviewed annually and revisions to amortization rates or write-downs to net realizable value may occur. The current portion of broadcast rights represents those rights available for broadcast which will be amortized in the succeeding year.

*Property and Equipment*

Property and equipment are recorded at cost and depreciated over the estimated useful lives of the assets on a straight line basis. Major renewals and betterments are capitalized and ordinary repairs and maintenance are charged to expense in the period incurred.

*Goodwill and Other Intangible Assets*

Goodwill aggregating \$19,058 is amortized over 40 years using the straight-line method. At December 31, 1991 and 1992, accumulated amortization of goodwill aggregated \$493 and \$973, respectively. Legal and accounting fees associated with the acquisition of loans, aggregating \$3,084 and the organization of the Partnership, aggregating \$585, are capitalized and amortized over the term of the related debt and five years, respectively. Intangible assets, aggregating \$1,825, which arise principally from broadcast rights agreements, are amortized over the related agreement terms. At December 31, 1991 and 1992, accumulated amortization of other intangible assets aggregated \$2,097 and \$2,605, respectively.

*Barter Transactions*

Revenue from barter transactions is recognized when advertisements are broadcast and services or merchandise received are charged to expense when received or used. Revenues arising from barter and trade transactions aggregated \$5,236 and \$4,718 in 1991 and 1992, respectively.

*Income Taxes*

The financial statements of the Partnership do not include any provision for federal or state income taxes. All Partnership income, losses, tax credits and deductions are allocated among the partners. Each partner is responsible to report its distributed share of Partnership results in its federal and state income tax returns.

*Cash and Cash Equivalents*

The Partnership considers all highly liquid investment instruments purchased with an original maturity of three months or less to be cash equivalents. The Partnership invests its excess cash in treasury bills with banks. Accordingly, the investments are subject to minimal credit and market risk.

*Reclassifications*

Certain reclassifications were made to the December 31, 1991 financial statements to conform to the current year presentation. These reclassifications have no effect on the Partnership's results of operation.

**3. RELATED PARTY TRANSACTIONS (IN THOUSANDS)**

ABRY Communications, L.P., parent of the general partners, provides certain administrative and support services to the Partnership for which it is paid a management fee. Management fees aggregating \$500 were charged to operations in 1991 and 1992, respectively. In subsequent years, these management fees are limited to \$500 plus an annual increase not to exceed 5%. Unpaid management fees and other amounts payable to ABRY Communications, L.P. totalling \$672 and \$589 are included in amounts due to related parties on the accompanying balance sheet at December 31, 1991 and 1992, respectively.

**BBM Partners, L.P.**  
**Notes to Financial Statements – (Continued)**

During 1991, the Partnership entered into an operating lease agreement with Kansas City TV 62 Limited Partnership, an entity which is related through common ownership, under which the Partnership is the lessor of certain studio equipment and office furniture. The lease expires June 1, 1994 and future rental income under the agreement approximates \$45. Lease income of \$18 and \$28 was recognized as of December 31, 1991 and 1992, respectively.

Heller Financial, Inc., the limited partner in the Partnership, is also the holder of the senior term loan and the revolving credit facility referred to in Note 6.

**4. PROPERTY AND EQUIPMENT (IN THOUSANDS)**

Property and equipment consists of the following:

	Estimated useful life (years)	December 31,	
		1991	1992
Land and improvements .....	—	\$ 867	\$ 874
Buildings .....	30	2,614	2,627
Transmission towers .....	30	4,047	4,071
Transmission equipment .....	7-8	4,450	4,450
Studio equipment .....	5-7	6,309	6,327
Vehicles, office equipment and furniture .....	3-7	894	1,006
Leasehold improvements .....	5	26	26
		19,207	19,381
Less — accumulated depreciation and amortization .....		2,372	4,645
		<u>\$16,835</u>	<u>\$14,736</u>

**5. BROADCAST RIGHTS (IN THOUSANDS)**

The Partnership purchases the right to broadcast programs through fixed term license agreements. Broadcast rights consist of the following:

	December 31,	
	1991	1992
Aggregate cost .....	\$28,566	\$28,229
Less — accumulated amortization .....	9,870	14,957
	18,696	13,272
Less — current portion .....	8,741	6,641
	<u>\$ 9,955</u>	<u>\$ 6,631</u>

**BBM Partners, L.P.**  
**Notes to Financial Statements — (Continued)**

Contractual obligations incurred in connection with the acquisition of broadcast rights are \$6,233, including \$2,258 of barter obligations. Future payments in connection with these contractual obligations are as follows at December 31, 1992:

1993 .....	\$3,992
1994 .....	1,223
1995 .....	630
1996 .....	320
1997 .....	68
Thereafter .....	—
	<u>\$6,233</u>

**6. DEBT (IN THOUSANDS)**

Long-term debt consists of the following:

	<u>December 31,</u>	
	<u>1991</u>	<u>1992</u>
Senior term loan .....	\$39,000	\$39,000
Senior subordinated term loan .....	4,500	4,500
Revolving credit facility .....	1,164	—
Subordinated note .....	<u>14,537</u>	<u>14,537</u>
	59,201	58,037
Less — current portion .....	—	<u>1,500</u>
	<u>\$59,201</u>	<u>\$56,537</u>

The Partnership has two term loan agreements with financial institutions. Interest on the senior term loan (Note 3) is variable based upon the Partnership's option of selecting the prime rate plus a computed margin rate which ranges from 1.50% to 1.75%, or the London Interbank Offer Rate (LIBOR) plus a computed margin rate which ranges from 2.75% to 3.00%. The principal amount of the loan is payable in 24 quarterly installments of varying amounts commencing March 31, 1993 and a final installment of \$22,125 due December 31, 1998. The senior subordinated term loan bears interest, payable monthly, at the base rate, computed by taking the higher of the Federal Funds rate plus 1% or prime, plus a computed margin rate which ranges from 1.75% to 2.25%. The principal amount of the loan is payable in full on January 31, 1999.

The revolving credit facility (the "revolver") (Note 3) provides for borrowings up to \$7,000 and bears interest, payable monthly, at prime plus a computed margin rate ranging from 1.50% to 1.75%. The Partnership is charged a fee for the average daily unused portion of the revolver commitment at a rate of 1/2% per annum, payable monthly. While the Partnership may repay all or a portion of the revolver borrowings at any time, any outstanding principal must be paid in full on or before December 31, 1998. At December 31, 1992, there were no borrowings outstanding under the revolver.

The subordinated note interest on the outstanding principal is at the rate of 10% per annum. Interest accrued through December 31, 1991 was paid on April 15, 1992. Interest accrued from January 1, 1992 through June 30, 1992 was paid on August 15, 1992. Interest thereafter accrues quarterly and is due and payable 45 days after such quarterly date. The principal balance of the note is payable on January 31, 1999. As of December 31, 1991 and 1992 interest payable on the subordinated note of \$1,466 and \$371, respectively, has been recorded in the accompanying financial statements.

The timing of principal payments may be accelerated should the Partnership achieve a certain level of cash flows, as defined in the loan agreement.

**BBM Partners, L.P.**  
**Notes to Financial Statements — (Continued)**

The borrowings are secured by substantially all of the Partnership's assets and require the Partnership to comply with certain specified financial ratios and provisions.

Aggregate annual principal payments of long-term debt are as follows at December 31, 1992:

1993 .....	\$ 1,500
1994 .....	2,500
1995 .....	3,000
1996 .....	3,000
1997 .....	3,500
Thereafter .....	<u>44,537</u>
	<u>\$58,037</u>

Interest paid during the period ended December 31, 1991 and 1992 was \$4,629 and \$5,721, respectively.

**7. RETIREMENT SAVINGS PLAN**

The Partnership has adopted a retirement savings plan under Section 401(k) of the Internal Revenue Code. This plan covers substantially all employees of the Partnership and affiliated partnerships who meet minimum age and service requirements and allows participants to defer a portion of their annual compensation on a pre-tax basis. Contributions from the Partnership are made on a monthly basis in an amount equal to 20% of the participating employee contributions, to the extent such contributions do not exceed 4% of the employees' eligible compensation during the month. Additional Partnership contributions to the plan may be made at the discretion of the Board of Directors. No additional Partnership contributions were authorized for the years ended December 31, 1991 and 1992.

**8. COMMITMENTS AND CONTINGENCIES (IN THOUSANDS)**

*Employment Agreements*

The Partnership has employment agreements entitling certain key employees to appreciation rights payable upon either a change in control of the Partnership or the payment of certain partner cash distributions. The employees vest in these rights at the rate of 20% per year from the date the rights are granted, except that they vest fully if they are employees of the Partnership at the time the rights become payable. Amounts due to the employees in connection with these rights are determined by a formula which considers appreciation in the value of the Partnership. Based upon management's estimate of the appreciation in the value of the Partnership, an accrual for compensation related to these rights of \$240 has been recorded at December 31, 1992.

**BBM Partners, L.P.**  
**Notes to Financial Statements – (Continued)**

***Broadcast License Agreements***

Broadcast rights acquired under license agreements are recorded as an asset and a corresponding liability at the inception of the license period. In addition to these broadcast rights payable at December 31, 1992, the Partnership has \$8,900 of commitments to acquire broadcast rights for which the license period has not commenced and, accordingly, for which no liability has been recorded. Future minimum payments arising from such commitments outstanding at December 31, 1992, of which \$2,558 represents barter commitments, are as follows:

1993 .....	\$1,922
1994 .....	1,328
1995 .....	1,649
1996 .....	1,703
1997 .....	1,313
Thereafter .....	<u>985</u>
	<u>\$8,900</u>

***Operating Leases***

The Partnership leases a studio and other operating equipment under noncancellable operating leases expiring in 2001. Under the terms of the studio lease the Partnership has the option to renew the lease for an additional ten years. Charges to expenses for such leases aggregated \$228 and \$209 in 1991 and 1992, respectively. Future minimum lease payments under these leases are as follows at December 31, 1992:

1993 .....	\$ 180
1994 .....	135
1995 .....	106
1996 .....	99
1997 .....	97
Thereafter .....	<u>788</u>
Total minimum lease payments .....	<u>\$1,405</u>



**BBM PARTNERS, L.P.**  
**UNAUDITED BALANCE SHEET**  
**JUNE 30, 1993**

(in thousands)

**ASSETS**

**CURRENT ASSETS:**

Cash and cash equivalents .....	\$ 3,684
Accounts receivable, net of allowance for doubtful accounts of \$182 .....	4,868
Current portion of program contract costs .....	3,982
Prepaid expenses and other current assets .....	<u>406</u>
Total current assets .....	12,940

PROPERTY AND EQUIPMENT, net .....

13,779

PROGRAM CONTRACT COSTS, noncurrent portion .....

4,851

ACQUIRED INTANGIBLE BROADCASTING ASSETS, net  
of accumulated amortization of \$4,081 .....

20,450

Total Assets .....

\$52,020

**LIABILITIES AND PARTNERS' CAPITAL**

**CURRENT LIABILITIES:**

Accounts payable .....	\$ 375
Accrued liabilities .....	1,931
Current portion of long-term liabilities—	
Notes payable and commercial bank financing .....	2,000
Program contracts payable .....	<u>3,140</u>
Total current liabilities .....	7,446

**LONG-TERM LIABILITIES:**

Notes payable .....	55,287
Program contracts payable .....	<u>438</u>
Total liabilities .....	<u>63,171</u>

**COMMITMENTS AND CONTINGENCIES**

PARTNERS' CAPITAL .....

(11,151)

Total Liabilities and Partners' Capital .....

\$52,020

The accompanying notes are an integral part of these unaudited balance sheets.